



BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON
Chairwoman

SANDRA D. KENNEDY
Commissioner

JUSTIN OLSON
Commissioner

ANNA TOVAR
Commissioner

JIM O'CONNOR
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 22 2021

DOCKETED BY
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IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF
ELECTRIC SERVICE CONTRACT RATE
SCHEDULE WITH NIKOLA
CORPORATION

DOCKET NO. E-01345A-20-0367

DECISION NO. 77893

ORDER

Open Meeting
January 12 and 13, 2021
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On December 11, 2020, APS filed an application with the Arizona Corporation Commission ("Commission") for approval of an Electric Service Agreement ("ESA") rate schedule with Nikola Corporation ("Nikola"). On December 18, 2020, Nikola filed comments in support of the proposed ESA in the docket. On December 22, 2020, APS filed a waiver of the timeclock to process the application.

3. Nikola operates as an integrated zero emissions transportation systems provider. Nikola designs and manufactures battery-electric and hydrogen-electric vehicles, electric vehicle drivetrains, vehicle components, energy storage systems, and hydrogen fueling station

1 infrastructure. The company also develops electric vehicle solutions for military and outdoor
2 recreational applications.¹ Nikola is based in Phoenix, Arizona.

3 4. Pursuant to Decision No. 73183 (May 24, 2012), the Commission approved a
4 Settlement Agreement which authorized APS to “pursue economic development opportunities
5 through the use of Commission-approved special contracts” such as the proposed special contract.

6 5. APS states that this ESA is an important means of economic development as Nikola
7 anticipates deploying hundreds of millions of dollars in capital to construct its hydrogen facilities in
8 Arizona. In addition, Nikola expects to employ a diverse workforce at its facilities. Further, APS
9 states that the deployment of the hydrogen facilities will have a positive impact on the environment
10 by reducing pollution and the emission of NO_x, SO_x, CO₂, and small fine particulate matter by
11 facilitating the conversion of heavy-duty trucks from diesel fuel to hydrogen.

12 **Application**

13 6. According to the application, Nikola intends to establish hydrogen production,
14 processing, and fueling stations and anticipates requiring a very high load factor of above 92 percent.
15 APS states that customers with high loads provide operational and other economic benefits to the
16 distribution system by helping reduce the overall cost for the Company to serve all its customers.
17 This aids in flattening the overall load profile and allows APS to operate its generation fleet in a
18 more optimal manner while spreading fixed costs over a greater volume of energy, reducing the per
19 kilowatt hour (“kWh”) costs to APS customers.

20 7. In its application, APS states that Nikola’s planned hydrogen facilities are expected
21 to be flexible loads that will be responsive to demand response dispatch instructions, similar to a
22 microgrid or battery energy storage facility, unlike most other high load factor customers. Under
23 the contract, Nikola will receive a capacity credit for the unbundled generation capacity rate
24 component. In addition, the Nikola facilities will be able to self-curtail under the contract rate. The
25 contract rate will be applicable for Nikola’s hydrogen production loads and its hydrogen refueling
26 stations across APS’s service area.

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28 ¹ Yahoo! Finance. (2020). <https://finance.yahoo.com/quote/NKLA/profile?p=NKLA>.

1 8. Until Nikola's facilities reach the scale required to qualify for service under the ESA
2 rate, APS will provide service under the applicable E-32 or other general service, rate schedule
3 without any discount or special provisions. APS has indicated that it anticipates Nikola will take
4 service under the ESA within the next four years².

5 **Marginal Costs**

6 9. Staff has reviewed the proposed rates and charges included in the proposed ESA and
7 the projected energy and capacity costs and credits of serving Nikola. Staff has reviewed the
8 information from APS related to its marginal costs and has determined that the rates and charges
9 included in the proposed ESA will cover APS's marginal costs during the contract period. APS has
10 indicated that the economic development credit was not part of this review. Recovery of the
11 Economic Development credit will be determined in the context of a future rate case.

12 **Fair Value Implications**

13 10. Staff has reviewed the application in terms of whether there are fair value
14 implications. In Decision No. 76295, (August 18, 2017), the Commission determined the fair value
15 of the APS jurisdictional rate base to be \$9,990,561,000. That determination is appropriate for the
16 purposes of this analysis. Compared to APS' total revenues, any revenue impact from this ESA
17 would be de minimus, and any impact on APS's fair value rate base and return would also be de
18 minimus

19 **Recommendations**

20 11. Given the level of Nikola's anticipated investment in its facilities and the effect on
21 local communities. Staff believes that the proposed ESA provides an economic development
22 opportunity, as authorized in Decision No. 73183. In addition, Nikola, as an extra high load factor
23 ("XHLF") customer with interruptible capability, provides benefits to the rest of the APS ratepayers.
24 Pursuant to an executed Protective Agreement, Staff has reviewed the unredacted ESA which
25 contains competitively confidential information. Because the rates included in the proposed ESA
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28 ² APS did its analysis based upon present day assumptions since the contract will not go into effect for approximately 4 years

1 are based more on the actual cost of serving Nikola, Staff believes the proposed ESA is more
2 appropriate for Nikola than a standard tariff offered by APS. APS has indicated that approval of the
3 proposed ESA will have no impact on the rates and charges of APS's other customer classes.
4 Therefore, Staff recommends approval of the proposed ESA between APS and Nikola. Staff
5 recommends that language be added in the Decision that specifies that Commission approval does
6 not guarantee any future ratemaking treatment of the agreement with Nikola.

7 CONCLUSIONS OF LAW

8 1. Arizona Public Service Company is a public service corporation within the meaning
9 of Article XV of the Arizona Constitution and Arizona Revised Statute §§ 40-250 and 40-251.

10 2. The Commission has jurisdiction over Arizona Public Service Company and the
11 subject matter of the Application.

12 3. The Commission, having reviewed Staff's memorandum dated January 8, 2021,
13 concludes that it is in the public interest to approve the corrected tariff language as discussed herein.

14 ORDER

15 IT IS THEREFORE ORDERED that the Arizona Public Service Company Electric Service
16 Agreement with Nikola Corporation is hereby approved, as discussed herein.

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1 IT IS FURTHER ORDERED that approval of the Electric Service Agreement does not
2 guarantee any future ratemaking treatment of the agreement with Nikola, at this time.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRWOMAN MÁRQUEZ PETERSON

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10 COMMISSIONER KENNEDY

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13 COMMISSIONER OLSON

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15 COMMISSIONER TOVAR

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17 COMMISSIONER O'CONNOR



18 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
19 Executive Director of the Arizona Corporation Commission,
20 have hereunto, set my hand and caused the official seal of this
21 Commission to be affixed at the Capitol, in the City of
22 Phoenix, this 22 day of January, 2021.

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25 MATTHEW J. NEUBERT
26 EXECUTIVE DIRECTOR

27
28 DISSENT: _____

DISSENT: _____

EOA:CLA:jn/MAS

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2 Docket No. (E-01345A-20-0367)

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